

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

MAY 25, 1919

Compiled May 21, 1919

While selling conditions, owing to weather and other uncontrollable factors, are below normal throughout the Middle West, the volume of business being done is sufficiently large to indicate very clearly the enormous buying power which high farm prices, wages and the production of the war period has created. Even during the Victory Loan drive, in which the Seventh Federal Reserve District fully subscribed and fairly satisfactorily absorbed its quota of the bonds, there was an investment demand for high-grade securities, a manifestation not experienced during the previous Liberty Loan campaigns.

Accepting Changed Economic Conditions.

Furthermore, business men gradually are reaching the conclusion that a return from war to normal conditions does not necessarily mean the pre-war level. Evidence that the war has brought far-reaching and permanent economic changes, is accumulating. An instance of this is found in the Middle West, where many farmers, who previous to the war had been persistent borrowers on their land, either have liquidated their mortgage loans or are in a position to do so, and many are now in the investment class as owners of bonds.

Incidentally, this situation offers a tempting field for "wildcat" speculation, and it is a matter of regret that thus far our State Legislatures, as a rule, seem to have been unable to enact legislation which satisfactorily curtails or eliminates this evil. Recently, through the federal courts in Chicago, however, some of these fraudulent enterprises have been publicly exposed, but it is evident something more is needed in order to effectively check these "wildcat" speculative operations.

Some Symptoms of Increasing Land Activity.

Scarcity of available farm mortgages in the market, and the Government Loan campaign, have developed a new investment field in the Middle West. There are some indications in this district of an increasing activity in farm lands, as well as in city real estate. This, if persistent, naturally will lead to an increase of borrowings in the form of farm mortgages. Conditions are regarded as favorable to the development of rather active speculation in land. High prices for farm products necessarily mean prosperity, not only for farmers but for those in cities and communities dependent upon agriculture, while hard times usually bring the debt-paying period among farmers. Continuance of comparatively easy money, therefore, may provide the stimulus for speculative land activity.

With upwards of \$300,000,000 represented in the unprecedented winter wheat crop in Indiana, Illinois, Michigan, Wisconsin and Iowa, now approaching maturity, and with other farm products commanding high prices, all contributing largely to the new wealth of the Seventh Federal Reserve District, there are indications that the buying power will be further greatly increased, and that the amount of available funds will continue to accumulate rapidly during the latter part of the year. This in itself is a big factor in stimulating optimism and in dispelling uncertainty so widespread in the months immediately following the signing of the armistice.

Building Activities Speeding Up.

During the last month the total of building permits not only increased sharply, but also the aggregate value of contracts reported awarded. Chicago, for instance, shows a gain in building permits of 169 per cent., compared with the corresponding period a year ago. Indianapolis is 122 per cent. ahead, Detroit 286 per cent.,

while the gains in the smaller cities run all the way from 92 per cent. at Grand Rapids to 486 per cent. at Lansing, Michigan, there being only four cities where there is a decrease, namely, Springfield and Joliet, Illinois, and Des Moines and Davenport, Iowa, and local conditions are largely responsible for this hesitancy.

Contracts reported awarded in the States north of the Ohio and east of the Missouri rivers aggregate thus far this year \$445,629,000 against \$543,021,000 for the first four months in 1918, a decrease of \$107,392,000. Contracts awarded in the States, all or the greater part of which lie in the Seventh Federal Reserve District, aggregate \$182,208,000 thus far in 1919, compared with \$96,557,000 in the corresponding period of 1918, an increase of \$85,651,000. The aggregate thus far this year is \$4,868,000 in excess of the same period of 1917, and \$68,482,000 greater than 1916. These figures in themselves indicate a notable improvement.

The gain in the same territory last month, however, is even more noticeable. The total of reported contracts awarded in the month of April is \$76,927,000, compared with \$105,231,000 in the first three months of the year, and this in the face of little appreciable change in the cost of building. The building contracts, as well as the number of permits, in Chicago show an increase, but so far these buildings are small and of minor importance, being chiefly bungalows, small residences and small business and apartment buildings.

Indications That Some Prices Are Fairly Well Stabilized.

The noticeable improvement favorable to the increased activity in construction, however, is the growing belief among business men that building materials and wages in the building trades will not change a great deal during the next year or two. The tremendous pressure for available space either for residential purposes or for offices, in the industrial centers of the district, is stimulating courage and a decision to go ahead with building plans.

Labor all through the district is fairly well employed. In the steel industrial centers, such as East Chicago and Joliet, industrial conditions are somewhat unsatisfactory, with a notable increase in the amount of unemployment. This situation, however, has not reached a serious stage. In the manufacturing centers and elsewhere labor is in fair supply, the housing situation being the chief problem, while skilled labor is exceedingly well employed. The continued high cost of living and wage agitation in some places is contributing to a considerable amount of unrest in the minds of many workingmen.

Dry Goods Demand Active—Prices Firmer.

The sale of dry goods at retail, both at Chicago and elsewhere in the district continues in record volume, with reports ranging from 25 to 50 per cent. in excess of 1918, the demand being for the best class of goods available. The supply in some lines, for instance silk hosiery, is not equal to the demand. The wholesale dry goods business during the last thirty days in volume equals that of 1918, and orders for goods for autumn use are now reported satisfactory in volume. The total amount booked for autumn, however, is considerably less than at this time a year ago.

Prices for both wool and cotton goods have advanced considerably, and retail stocks have been reduced to a low point, while production has been more or less curtailed by shorter hours, and in some instances by strikes. Hence retailers are looking for merchandise and are paying higher prices than were current in April. The smaller department stores throughout the district are doing an excellent business.

Marked Change in Woolen Situation.

Developments in the woolen situation indicate a reversal of conditions prevailing at the beginning of April. Disorganization of woolen mills, through the cancellation of government contracts, had reduced operation to about 40 per cent. from the maximum. Efforts to stabilize conditions for civilian trade resulted in making a very low price on men's woolens for the 1919 autumn season. These goods usually are sold in January, but this year the sale was deferred until March and April.

The fixing of a minimum of up-set price on the disposal of government wool to mills, to prevail until July 1, enabled the mills to make very low prices on their products. This brought wholesale manufacturers and other buyers of woolen goods into the market with very heavy orders, which quickly absorbed the mill production. Prices, however, were so low that the mills booked business, figuring on an easy wool market. In this they have been disappointed, the competition among mill owners to buy to cover their contracts putting up the price very considerably. The result is that most all mill offerings have been withdrawn, and the mills have refused to take additional business until they can do so at advanced prices corresponding with the price of raw material.

This condition is directly reflected in the business of wholesale clothiers, who are booking a very heavy autumn business at prices several dollars per suit lower than cloth was sold for in the 1918 autumn season. The situation has been strengthened fundamentally by a record-breaking business by retail clothiers, supported by the demand of the consumer and his ability to pay relatively high prices for clothing. Retailers, who deferred buying until June and July, are now scrambling to cover their requirements for the fall season.

Meat Prices Still Advancing.

Prices of cattle are considerably higher than a year ago, while the prices of sheep are lower. In consequence, the price of beef has advanced, while mutton and lamb are a little lower. The receipts at the principal markets show a decrease of 7 per cent. in cattle, and 4 per cent. in sheep and lambs for the first four months of 1919, compared with a year ago. The smaller receipts of hogs at the principal markets have resulted in a decrease in the stocks of meats and lard, in which the export demand continues good. The price of hogs in excess of \$20 a hundred necessarily finds its reflection in the general cost of living.

Receipts of livestock at Chicago for the four weeks ended May 14, compared with the corresponding period of 1918, are as follows:

| | Cattle. | Calves. | Hogs. | Sheep. |
|----------------|---------|---------|---------|---------|
| 1919 | 225,506 | 80,980 | 640,047 | 277,839 |
| 1918 | 247,237 | 88,701 | 685,387 | 229,005 |
| Increase | *21,731 | *7,721 | *45,340 | 48,834 |
| *Decrease. | | | | |

Appear to be Drifting Away from Thrift Ideas.

There is a decided trend away from ideas of thrift. People are spending money more freely than ever before. This seems to be a reaction from the period of economy and thrift through which the American people passed during the last year. Among workers in industries affected by the war, the thrift idea at that time found little response. The curtailment of incomes among this class is forcing some economy, but among others the trend is decidedly the other way.

Business in jewelry of various kinds continues active. Unusually high wages during the war has tended to increase extravagance, especially among wage earners, who are demanding more of the so-called luxuries than ever before. Sales of retail jewelry of various kinds, including watches, during April are reported one-third larger than a year ago.

Bankers See Comparatively Easy Money.

Bankers are inclined to look forward to a period of comparative ease, notwithstanding the fact that they will be called upon to finance the Treasury very largely throughout the summer. Money seems plentiful everywhere and collections are satisfactory. Merchants and dealers generally appear to be having no difficulty in obtaining funds for their legitimate financial needs.

Some of the large Chicago banks have been buying commercial paper to a greater extent than in many months. The country bank, however, has been a steady buyer of commercial paper for some time. In consequence of this development rates have declined somewhat. An indication of the trend in the banking situation in Chicago and in the district is found in a comparison of the gross deposits and aggregate loans of

the twelve leading Chicago member banks. The gross deposits of these banks aggregated \$960,600,000 on May 16, an increase of \$44,000,000 compared with a month previous, while the aggregate loans and discounts, exclusive of bonds, amounted \$600,400,000, an increase of \$22,900,000.

Chicago bank clearings for the first seventeen days of May aggregated \$1,404,725,760, an increase of \$103,880,034 compared with last year, while the exchanges at twenty-one of the leading clearing houses, outside of Chicago, for the first fifteen days of May aggregated \$453,824,800, an increase of \$132,817,300 compared with a year ago.

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT

(000's Omitted)

| | Chicago | | | Detroit | | | Other | | |
|---|-----------------|----------|----------|-----------------|----------|---------|-----------------|----------|----------|
| | 44 Member Banks | | Jan. 3. | 12 Member Banks | | Jan. 3. | 45 Member Banks | | Jan. 3. |
| | April 11. | May 9. | | April 11. | May 9. | | April 11. | May 9. | |
| Loans— | | | | | | | | | |
| Secured by U. S. Securities | \$61,160 | \$67,605 | \$67,092 | \$8,720 | \$11,195 | \$9,577 | \$18,420 | \$14,272 | \$14,823 |
| All other loans and investments | 846,008 | 849,253 | 870,912 | 244,085 | 256,349 | 258,575 | 280,939 | 281,276 | 282,037 |
| Reserve Balance with Federal Reserve Bank | 108,825 | 104,811 | 117,407 | 21,886 | 23,442 | 24,500 | 25,241 | 26,034 | 26,710 |
| Cash in Vault | 44,555 | 37,455 | 38,739 | 13,821 | 12,540 | 12,206 | 15,811 | 14,251 | 14,043 |
| Deposits— | | | | | | | | | |
| Net demand | 794,398 | 794,988 | 851,708 | 162,048 | 167,508 | 171,538 | 209,707 | 229,291 | 223,314 |
| Time | 149,859 | 163,057 | 164,599 | 155,896 | 166,677 | 170,247 | 89,211 | 95,706 | 100,722 |
| Government | 12,962 | 36,445 | 41,805 | 18,964 | 18,746 | 22,991 | 6,189 | 13,497 | 8,998 |
| Bills Payable and Rediscounts— | | | | | | | | | |
| Collateral Notes | 37,735 | 64,130 | 40,105 | 12,154 | 15,140 | 15,278 | 18,380 | 23,038 | 20,594 |
| Bills Rediscounted | 10,186 | 4,874 | 2,910 | 412 | ..... | 152 | 16,191 | 4,816 | 3,097 |

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO

(000's Omitted)

| | Receipts | | | Shipments | | |
|-----------------------|----------|---------|--------|-----------|---------|---------|
| | March | April | 1919. | March | April | 1919. |
| Flour, barrels | 648 | 1,003 | 908 | 787 | 440 | 1,086 |
| Wheat, bushels | 1,231 | 539 | 1,117 | 298 | 1,760 | 206 |
| Corn, bushels | 3,824 | 14,045 | 6,140 | 8,493 | 1,572 | 4,964 |
| Oats, bushels | 3,719 | 9,699 | 5,537 | 13,606 | 5,408 | 5,934 |
| Cured Meats, pounds | 21,533 | 30,832 | 14,788 | 29,819 | 159,756 | 72,535 |
| Fresh Meats, pounds | 90,027 | 117,194 | 99,550 | 96,641 | 158,551 | 106,374 |
| Lard, pounds | 17,311 | 17,147 | 18,943 | 10,938 | 60,206 | 21,842 |
| Cheese, pounds | 15,394 | 10,830 | 16,300 | 11,648 | 8,775 | 8,253 |
| Butter, pounds | 15,946 | 24,051 | 19,723 | 21,039 | 20,090 | 21,214 |
| Eggs, cases | 277 | 414 | 1,357 | 1,027 | 223 | 170 |
| Hides, pounds | 19,510 | 16,025 | 18,530 | 13,149 | 20,927 | 15,286 |
| Lumber, thousand feet | 124 | 261 | 144 | 267 | 46 | 137 |
| Potatoes, bushels | 1,663 | 1,436 | 1,690 | 1,218 | 692 | 580 |

COMPARATIVE STATISTICS OF BUILDING AND ENGINEERING OPERATIONS.

Contracts awarded in States north of the Ohio and east of the Missouri Rivers, from January 1 to May 1, 1919.

| | | | | | | | |
|------|---------------|------|-------|---------------|------|-------|---------------|
| 1919 | \$445,629,000 | 1916 | ..... | \$324,665,500 | 1913 | ..... | \$285,388,000 |
| 1918 | 548,021,000 | 1915 | ..... | 244,095,100 | 1912 | ..... | 232,249,500 |
| 1917 | 467,298,000 | 1914 | ..... | 228,710,000 | 1911 | ..... | 254,276,813 |

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also Northern Missouri and Eastern Kansas.

| | | | | | | | |
|------|---------------|------|-------|---------------|------|-------|---------------|
| 1919 | \$182,208,000 | 1916 | ..... | \$113,366,000 | 1913 | ..... | \$ 59,492,000 |
| 1918 | 96,557,000 | 1915 | ..... | 65,582,600 | 1912 | ..... | 35,842,000 |
| 1917 | 177,340,000 | 1914 | ..... | 61,821,000 | 1911 | ..... | 60,894,313 |

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

| City. | April, 1919 | | April, 1918 | | Per Cent. Gain. | Per Cent. Loss. |
|---------------------|-------------------|-----------------|-------------------|-----------------|-----------------|-----------------|
| | No. of Buildings. | Estimated Cost. | No. of Buildings. | Estimated Cost. | | |
| Bay City, Mich. | 91 | \$ 96,700 | 61 | \$ 33,575 | 188 | ... |
| Cedar Rapids, Iowa | 70 | 188,000 | 396 | 79,000 | 137 | ... |
| Chicago, Ill. | 705 | 7,447,800 | 396 | 2,767,900 | 169 | ... |
| Davenport, Iowa | 173 | 135,046 | 158 | 153,939 | 12 | ... |
| Decatur, Ill. | 91 | 412,605 | 37 | 56,900 | 625 | ... |
| Des Moines, Iowa | 67 | 141,755 | 94 | 228,945 | ... | 33 |
| Detroit, Michigan | 2,015 | 4,610,731 | 844 | 1,193,175 | 286 | ... |
| Fort Wayne, Ind. | 79 | 124,564 | 39 | 61,925 | 102 | ... |
| Grand Rapids, Mich. | 236 | 263,599 | 141 | 137,602 | 93 | ... |
| Indianapolis, Ind. | 802 | 987,999 | 479 | 445,422 | 123 | ... |
| Jackson, Mich. | 97 | 113,245 | 72 | 111,135 | 2 | ... |
| Joliet, Ill. | 6 | 23,000 | 8 | 39,000 | ... | 41 |
| Lansing, Mich. | 153 | 292,360 | 36 | 50,050 | 486 | ... |
| Milwaukee, Wis. | 546 | 1,804,521 | 389 | 733,817 | 146 | ... |
| Peoria, Ill. | 68 | 112,208 | 29 | 70,875 | 53 | ... |
| Saginaw, Mich. | 108 | 106,803 | 33 | 33,070 | 229 | ... |
| South Bend, Ind. | 188 | 187,965 | 98 | 74,115 | 153 | ... |
| Springfield, Ill. | 82 | 90,320 | 75 | 161,800 | ... | 44 |
| Terre Haute, Ind. | 101 | 155,620 | 30 | 41,672 | 273 | ... |

Building and construction statistics compiled by the F. W. Dodge Company.